



WYCLIFFE ASSOCIATES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Wycliffe Associates, Inc.
Orlando, Florida

We have audited the accompanying consolidated financial statements of Wycliffe Associates, Inc. ("the Ministry"), which comprise the consolidated statements of financial position as of September 30, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Ministry's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ministry's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Wycliffe Associates, Inc. as of September 30, 2016 and 2015, the consolidated changes in its net assets, and its consolidated cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
February 28, 2017

BATTIS MORRISON WALES & LEE, P.A. • CERTIFIED PUBLIC ACCOUNTANTS

WYCLIFFE ASSOCIATES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30,	
	2016	2015
ASSETS		
Cash and cash equivalents	\$ 834,358	\$ 475,463
Investments	23,702,490	35,831,233
Note receivable	1,092,348	1,137,500
Property and equipment, net	1,962,263	886,651
Other assets	913,924	1,584,454
Total assets	\$ 28,505,383	\$ 39,915,301

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 943,555	\$ 945,989
Total liabilities	943,555	945,989
NET ASSETS		
Unrestricted		
Net investment in property and equipment	1,962,263	886,651
Undesignated	21,428,781	33,772,048
Total unrestricted	23,391,044	34,658,699
Temporarily restricted	4,170,784	4,310,613
Total net assets	27,561,828	38,969,312
Total liabilities and net assets	\$ 28,505,383	\$ 39,915,301

WYCLIFFE ASSOCIATES, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

	For The Year Ended September 30, 2016			For The Year Ended September 30, 2015
	Unrestricted	Temporarily Restricted	Total	
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
Temporarily restricted contributions	\$ —	\$ 12,418,429	\$ 12,418,429	\$ 10,669,133
Unrestricted contributions	10,426,717	—	10,426,717	12,046,697
Contributed services and facilities usage	5,729,502	—	5,729,502	6,404,054
Contributions - San Clemente Senior Housing, Inc.	—	—	—	10,266,603
Net assets released from restrictions	<u>12,558,258</u>	<u>(12,558,258)</u>	<u>—</u>	<u>—</u>
 Total contributions and net assets released from restrictions	 28,714,477	 (139,829)	 28,574,648	 39,386,487
 Other income	 725,782	 —	 725,782	 1,625,381
Net investment income	<u>1,661,249</u>	<u>—</u>	<u>1,661,249</u>	<u>64,056</u>
 Total public support and revenue and net assets released from restrictions	 <u>31,101,508</u>	 <u>(139,829)</u>	 <u>30,961,679</u>	 <u>41,075,924</u>
 EXPENSES				
Program activities				
Bible translation ministries	<u>32,603,818</u>	<u>—</u>	<u>32,603,818</u>	<u>27,648,650</u>
Supporting activities				
Fundraising	6,967,697	—	6,967,697	5,436,785
Management and general	<u>2,797,648</u>	<u>—</u>	<u>2,797,648</u>	<u>2,148,096</u>
 Total supporting activities	 <u>9,765,345</u>	 <u>—</u>	 <u>9,765,345</u>	 <u>7,584,881</u>
 Total expenses	 <u>42,369,163</u>	 <u>—</u>	 <u>42,369,163</u>	 <u>35,233,531</u>
 Change in unrestricted net assets	 (11,267,655)	 —	 (11,267,655)	 4,978,531
 Change in temporarily restricted net assets	 <u>—</u>	 <u>(139,829)</u>	 <u>(139,829)</u>	 <u>863,862</u>
 CHANGE IN NET ASSETS	 (11,267,655)	 (139,829)	 (11,407,484)	 5,842,393
 NET ASSETS - Beginning of year	 <u>34,658,699</u>	 <u>4,310,613</u>	 <u>38,969,312</u>	 <u>33,126,919</u>
 NET ASSETS - End of year	 <u>\$ 23,391,044</u>	 <u>\$ 4,170,784</u>	 <u>\$ 27,561,828</u>	 <u>\$ 38,969,312</u>

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

WYCLIFFE ASSOCIATES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Years Ended	
	September 30,	
	2016	2015
OPERATING CASH FLOWS		
Cash received from contributors	\$ 22,845,146	\$ 32,862,433
Other revenue received	1,368,177	1,945,702
Cash paid for operating activities and costs	<u>(35,645,499)</u>	<u>(28,301,698)</u>
Net operating cash flows	<u>(11,432,176)</u>	<u>6,506,437</u>
INVESTING CASH FLOWS		
Net proceeds from sales of (purchases of) investments	13,147,597	(6,231,122)
Net purchases of and improvements to property and equipment	<u>(1,356,526)</u>	<u>(74,390)</u>
Net investing cash flows	<u>11,791,071</u>	<u>(6,305,512)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	358,895	200,925
CASH AND CASH EQUIVALENTS - Beginning of year	<u>475,463</u>	<u>274,538</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 834,358</u>	<u>\$ 475,463</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	\$ (11,407,484)	\$ 5,842,393
Adjustments to reconcile change in net assets to net operating cash flows		
Depreciation	280,914	222,897
Net (gain) loss on investments	(1,018,854)	697,467
Change in other assets	715,682	(441,202)
Change in accounts payable and accrued expenses	<u>(2,434)</u>	<u>184,882</u>
Net operating cash flows	<u>\$ (11,432,176)</u>	<u>\$ 6,506,437</u>

The Accompanying Notes are an Integral
Part of These Consolidated Financial Statements

WYCLIFFE ASSOCIATES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Wycliffe Associates, Inc. (“the Ministry”) is a not-for-profit California corporation. The Ministry’s purpose is to identify, mobilize, and foster relationships with volunteers to involve people in the advancement of Bible translation worldwide through programs of prayer, financial stewardship, and volunteer service.

In connection with its purpose, the Ministry collaborates with global church networks in its efforts to accelerate the advancement of Bible translation worldwide. No control relationship or common control exists between the Ministry and the global church networks.

The Ministry had certain rights of appointment with respect to individual Board members of San Clemente Senior Housing, Inc. (“San Clemente”) until it was dissolved. The governing documents of San Clemente required that in the event of dissolution, the net assets of San Clemente be distributed to the Ministry. However, the Ministry did not have the unilateral authority to replace the governing Board of San Clemente, nor did it have the unilateral right to amend the governing documents of San Clemente. Accordingly, due to a lack of control, the financial statements of San Clemente are not consolidated with those of the Ministry. See Note K.

Consolidation

The Ministry has ten entities for which it maintains the authority to appoint or elect the governing bodies. These separate legal entities are utilized to carry on specific work in various countries where the use of a separate entity provides practical or legal advantages. For security purposes, the names of the entities are not specifically disclosed in these notes. In conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”), the Ministry’s financial statements are consolidated with the financial statements of these organizations. All significant interorganization accounts and transactions have been eliminated in consolidation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as “net assets released from restrictions.”

Cash and cash equivalents

The Ministry considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Investments

Investments are carried at estimated fair value.

Note receivable

Note receivable is stated net of an allowance, if any. The Ministry estimates the allowance based on an analysis of the note, taking into consideration collection history, the age of any past due amounts, and assessment of the debtor’s ability to pay. The note is considered past due when payments are not made in accordance with specified terms. The note would be written off upon management’s determination that the amounts are uncollectible.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

WYCLIFFE ASSOCIATES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Ministry is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to state law. The Ministry is further classified as a public charity and not a private foundation for federal tax purposes. A certain affiliate is a taxable subsidiary which is subject to both federal and state income taxes. The Ministry's other affiliates are considered disregarded entities for federal tax purposes. The Ministry has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying consolidated financial statements. The Ministry has not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America.

Use of estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these consolidated financial statements include those related to the estimated fair value of investments, the useful lives of property and equipment, and the estimated value of contributed services and facilities usage. Actual results could differ from the estimates.

Reclassifications

Certain amounts included in the consolidated financial statements for the year ended September 30, 2015 have been reclassified to conform to classifications adopted during the year ended September 30, 2016. The reclassifications had no material effect on the accompanying consolidated financial statements.

Subsequent events

The Ministry has evaluated for possible financial reporting and disclosure subsequent events through February 28, 2017, the date as of which the consolidated financial statements were available to be issued.

NOTE C – CONCENTRATIONS OF CREDIT RISK

The Ministry maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Ministry has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

The Ministry's investments are held by a single custodian.

NOTE D – FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, U.S. GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

WYCLIFFE ASSOCIATES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D – FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – quoted prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar investments)

Level 3 – significant unobservable inputs

The estimated fair value of certain assets, which are measured on a recurring basis at September 30, 2016, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate bonds	\$ 10,049,908	\$ 10,049,908	\$ —	\$ —
Obligations of the U.S. government or its agencies	6,909,437	6,909,437	—	—
Mutual funds	<u>6,743,145</u>	<u>6,743,145</u>	<u>—</u>	<u>—</u>
Total investments	<u>\$ 23,702,490</u>	<u>\$ 23,702,490</u>	<u>\$ —</u>	<u>\$ —</u>

The estimated fair value of certain assets, which are measured on a recurring basis at September 30, 2015, are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate bonds	\$ 14,006,216	\$ 14,006,216	\$ —	\$ —
Mutual funds	11,427,700	11,427,700	—	—
Obligations of the U.S. government or its agencies	<u>10,397,317</u>	<u>10,397,317</u>	<u>—</u>	<u>—</u>
Total investments	<u>\$ 35,831,233</u>	<u>\$ 35,831,233</u>	<u>\$ —</u>	<u>\$ —</u>

NOTE E – NOTE RECEIVABLE

Note receivable consists of an unsecured promissory note from an unrelated party requiring interest and principal payments as detailed in the note agreement. The note bears interest at 5% through December 2020 and increases to 15% thereafter until the stated maturity date in April 2030.

WYCLIFFE ASSOCIATES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	September 30,	
	2016	2015
Land and land improvements	\$ 23,483	\$ 23,483
Buildings and leasehold improvements	478,344	551,347
Furniture and equipment	3,177,605	2,003,000
Total property and equipment	3,679,432	2,577,830
Less: Accumulated depreciation	(1,717,169)	(1,691,179)
Net property and equipment	\$ 1,962,263	\$ 886,651

Depreciation expense amounted to \$280,914 and \$222,897 for the years ended September 30, 2016 and 2015, respectively.

The Ministry entered into a 99-year operating lease agreement with Wycliffe Bible Translators, Inc. ("WBT") for office facilities in exchange for annual lease payments of \$1 plus required taxes, maintenance, and insurance. The Ministry recognized approximately \$652,000 (the estimated fair rental value) as contribution revenue related to this lease, which is included in the accompanying consolidated statements of activities as "contributed services and facilities usage," for each of the years ended September 30, 2016 and 2015.

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes during the year ended September 30, 2016:

	Balance October 1	Contributions	Releases	Balance September 30
Field projects	\$ 2,371,974	\$ 6,365,799	\$ (6,325,292)	\$ 2,412,481
Missionary support	1,938,639	6,052,630	(6,232,966)	1,758,303
Total	\$ 4,310,613	\$ 12,418,429	\$ (12,558,258)	\$ 4,170,784

Net assets were temporarily restricted for the following purposes during the year ended September 30, 2015:

	Balance October 1	Contributions	Releases	Balance September 30
Field projects	\$ 1,470,117	\$ 4,323,830	\$ (3,421,973)	\$ 2,371,974
Missionary support	1,941,634	6,345,303	(6,348,298)	1,938,639
Bequest receivable	35,000	—	(35,000)	—
Total	\$ 3,446,751	\$ 10,669,133	\$ (9,805,271)	\$ 4,310,613

WYCLIFFE ASSOCIATES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H – RETIREMENT PLAN

The Ministry maintains a Section 403(b) retirement plan for the benefit of its employees (“the Plan”). Eligible employees may make elective deferrals to the Plan up to the amount allowed under Internal Revenue Service guidelines. The Ministry may also make an annual discretionary contribution to the Plan on behalf of its employees. Employees vest immediately in elective deferrals. Employees vest in employer contributions following a two-year vesting schedule. During the years ended September 30, 2016 and 2015, the Ministry contributed approximately \$390,000 and \$318,000 to the Plan, respectively.

NOTE I – FUNDRAISING EXPENSES

During the years ended September 30, 2016 and 2015, the Ministry incurred joint costs in the approximate amount of \$3,609,000 and \$3,000,000, respectively, for informational activities that included fundraising appeals in connection with the Ministry’s exempt purposes. Of those costs, approximately \$3,333,000 and \$2,765,000 were allocated to Bible translation ministries expense and \$276,000 and \$235,000 were allocated to fundraising expense for the years ended September 30, 2016 and 2015, respectively.

NOTE J – CONTRIBUTED SERVICES

Volunteers provide labor and other services for various Ministry activities. Contributed services meeting the criteria for revenue recognition in conformity with accounting principles generally accepted in the United States amounted to approximately \$5,078,000 and \$5,752,000 for the years ended September 30, 2016 and 2015, respectively, and are included in the accompanying consolidated statements of activities as “contributed services and facilities usage” revenue. Volunteer services during the years ended September 30, 2016 and 2015 not meeting the criteria for recognition in conformity with accounting principles generally accepted in the United States have been estimated by management to be approximately \$6,395,000 and \$7,435,000, respectively (unaudited). The estimated value of such services is not reflected in the accompanying consolidated financial statements.

NOTE K – CONTRIBUTIONS – SAN CLEMENTE SENIOR HOUSING, INC.

During the year ended September 30, 2015, San Clemente Senior Housing, Inc. (“San Clemente”), an organization which is supportive of the Ministry, disposed of certain assets and made a contribution to the Ministry. San Clemente’s governing documents provide that, upon dissolution, any assets remaining after payment of San Clemente’s debts and liabilities are to be distributed to the Ministry. In December 2014, San Clemente transferred \$10,266,603 to the Ministry. Such amount is included in the accompanying consolidated statement of activities as “Contributions – San Clemente Senior Housing, Inc.” for the year ended September 30, 2015. San Clemente Senior Housing, Inc. has been dissolved.

NOTE L – RELATED PARTY TRANSACTIONS

The Ministry cooperates with various other not-for-profit organizations in accomplishing its purpose. Several members of the Ministry’s Board of Directors also serve in positions of leadership for these not-for-profit organizations. During the years ended September 30, 2016 and 2015, the Ministry made payments of approximately \$2,315,000 and \$622,000, respectively, to these not-for-profit organizations.